

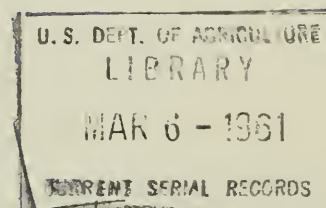
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# X MAXIMIZING OUR ASSISTANCE TO FARMER COOPERATIVES



- Highlights
- Of the
- 23rd Annual Workshop
- Of the
- Farmer Cooperative Service,
- December 13-16, 1960

FARMER COOPERATIVE SERVICE  
U.S. Department of Agriculture  
Washington 25, D. C.

FARMER COOPERATIVE SERVICE  
U. S. DEPARTMENT OF AGRICULTURE  
WASHINGTON 25, D. C.

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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## INTRODUCTION

This is a report of the 23rd Annual Workshop of the Farmer Cooperative Service, U. S. Department of Agriculture, held at Washington, D. C., December 13-16, 1960. The theme of the Workshop was "Maximizing Our Assistance to Farmer Cooperatives." The Workshop was scheduled to begin Monday, December 12, but adverse weather forced a postponement of one day and caused some changes in the original order of the program.

Members of the Program Committee for this Workshop were:

John J. Scanlan, Poultry Branch, Chairman  
Raymond L. Fox, Livestock and Wool Branch  
David Volkin, Business Administration Branch  
French M. Hyre, Farm Services Branch  
George C. Tucker, Dairy Branch  
Bobby H. Pentecost, Farm Supplies Branch  
Job K. Savage, Special Crops Branch  
Martin A. Blum, Fruit and Vegetable Branch  
Anne L. Gessner, History and Statistics Branch  
Gilbert W. Biggs, Fruit and Vegetable Branch  
Bert D. Miner, Frozen Food Locker Branch  
Charlie B. Robbins, Farm Supplies Branch  
Martin A. Abrahamsen, Purchasing Division (Ex Officio)

This publication presents highlights of the Workshop, rather than verbatim reports of the talks. Views presented are those of the participants and do not necessarily reflect official views of the Farmer Cooperative Service on the many topics discussed. While prepared primarily as a work improvement tool for staff members of the Service, and for distribution to guest speakers, a limited number of copies are available to other persons having an interest in this area.

The report was prepared by the Highlights Committee from material submitted by speakers and from notes made during the Workshop. Members of the Highlights Committee were:

William C. Bowser, Jr., Transportation Branch, Chairman  
John T. Haas, Livestock and Wool Branch  
William J. Monroe, Dairy Branch



HIGHLIGHTS OF THE  
23rd ANNUAL WORKSHOP OF THE FARMER COOPERATIVE SERVICE

SESSION I

Tuesday Morning, December 13, 1960  
Chairman: Job K. Savage

OBJECTIVES OF THE 1960 FCS WORKSHOP

\*\*\*\*\* Joseph G. Knapp

Our theme this year is "Maximizing Our Assistance to Farmer Cooperatives." This implies doing our best and getting as much cooperation as possible from others.

Our Workshop Committee, under the chairmanship of John Scanlan, has developed a program to help us meet today's needs. It recognizes that both national political parties have emphasized in their platforms that agricultural cooperation is in the national interest. We hope that this program will give us both inspiration and enlightenment.

During the summer I had the opportunity of attending a conference on Goals and Values in Agricultural Policy, sponsored by the Center for Agricultural and Economic Adjustment, at Iowa State University. This was a most important meeting and I got from it one very definite impression -- that the improvement of farm life and the preservation of initiative, independence, and responsibility in farm people will largely depend upon the wise development of agricultural cooperatives to help them on their economic problems.

I mention this to indicate that the work we are responsible for in the United States Department of Agriculture is of the utmost importance to agriculture and to the Nation as well.

Let us make the most of our opportunity in our sessions this week.

## THE USDA AND FARMER COOPERATIVES

\*\*\*\*\* Clarence M. Ferguson

I see a great opportunity for cooperatives in the future of American agriculture. But the whole field of cooperation is not too well understood and neither is agriculture as a whole. This is not necessarily peculiar to agriculture alone, however, as it applies also to other industries.

The real problem is one of communications. So much is said and written today that no one can fully comprehend it all. Many people pick up little smatterings of information, much of it based on public opinion and very little on research. For this reason, each of us here has the responsibility to inform others as to the true role of agriculture in the United States. And this must be done in the simplest of terms.

The American people consume some 550 million meals a day, but very few are particularly concerned with where they come from or how they got there. If people understood this they would come closer to understanding agriculture as well as the role and responsibilities of farmer cooperatives.

We repeat the Lord's Prayer: "Give us this day our daily bread" without thinking too much about it. Two thousand years ago people seldom knew where their next meal was coming from. But this prayer has been answered in our time in our area of the world. It has been accomplished partly because of the basic freedoms we have in this country.

Today, American agriculture is often criticized because of our surplus production. We have learned to produce bountifully but we have not learned how to live with abundance. We cannot hope to have sound political answers to our problems unless research is in a position to put in the hands of political leaders more facts than we have at the moment.

While there has been much comment in recent months on the state of American agriculture, the real truth is that it enjoys the highest prestige in the world.

### HOW COOPERATIVES CAN STRENGTHEN FARMERS' BARGAINING POWER

\*\*\*\*\* Glenn Lake

Today's conditions provide quite a different climate and setting in which a cooperative must build and maintain bargaining power. In my opinion, we have only scratched the surface, partly because we just

don't know what to do, and sometimes because we are too timid to try.

I want to discuss some points we of the Michigan Milk Producers Association believe have helped us strengthen farmers' bargaining position. Many of these are applicable to cooperatives handling other commodities. They include:

1. Direct bargaining with buyers necessitates a firm control of supply, both physical control and enthusiastic member support. This does not mean we need 100 percent control over supply.
2. Handling surplus milk necessitates owning or having a contract for alternative outlets. By being in a position to direct, dispatch and ship surplus milk, our members each receive an additional \$100 a year over prevailing prices.
3. Market supply management adds inestimable millions of dollars to members' milk checks. With our holding and transportation facilities, we can coordinate our fluid milk sales with the supply of milk on the market.
4. Association ownership of transportation facilities has resulted in substantially reduced transportation rates for our members.
5. Our strong bargaining position has enabled us to secure for our members part of the savings in operating costs made by handlers due to bulk handling of milk. MMPA members receive an additional \$1 million a year in bulk milk premiums.
6. MMPA's decision to make bulk tanks available at reasonable prices and provide financing gave members a bargaining tool worth \$200 to \$500.
7. We have recently entered the fields of packaging and distributing fluid milk. We feel this will strengthen our bargaining position in negotiations for the sale of milk to handlers.
8. Much of our surplus milk and milk products is sold through a central cooperative sales agency. This allows us to join with other cooperatives to establish a reputation and reliable outlets for our products.
9. We are now in the midst of federating with other dairy cooperatives to form the Great Lakes Federation. We feel it is necessary for cooperatives over a wide area to use a federated approach in bargaining with large, independent handlers which play one cooperative against another in separate negotiations.



10. Cooperatives must work together toward a common legislative objective through State and national federations and councils.

There are many more points than these I have listed. As is obvious, the foundation of our bargaining program is based on control of supply with facilities to handle the milk. However, I am positive that many new avenues will be opened in the years ahead. The opportunities are unlimited and we have only scratched the surface of the potential of cooperatives. The bargaining position of farmers must be strengthened and cooperatives must recognize and prepare themselves for the challenge. We must have leadership with sound and practical vision, and we must build enthusiastic membership who will follow and support their cooperatives with their own dollars.

#### WHAT ABOUT FURTHER INTEGRATION IN FARMER COOPERATIVES?

\*\*\*\*\* Martin A. Abrahamsen

The process of economic integration is going through the same general metamorphosis that has been or is being encountered by such other economic concepts as bargaining power, imperfect competition, resource allocation, and economic growth. In other words, integration is subject to the professional fads and fashions of the time.

Business retrenchment, continued suspicion on the part of a large proportion of farmers, and the growth of an increasing number of large independent farm operators who partially or completely integrate their operations are some of the current developments that are leaving their impacts on the cooperatives serving farmers.

A look ahead suggests the following as likely developments that will have a bearing on integration:

1. There will be fewer and larger producers, and to a considerable extent they will integrate their own operations either by themselves or through their own cooperatives.
2. Purchasing cooperatives will place more stress on marketing, and marketing cooperatives will place more emphasis on purchasing.
3. There will be greater emphasis on research -- both economic and technical -- as a basis for the successful undertaking of integrated operations.
4. Problems of finding adequate staff to carry out new undertakings will be increasingly important.

In general, those cooperative leaders who have been giving serious consideration to the impacts of integration on their operations believe that there will be more integrated activity in the years ahead. Operations generally may be on a sounder basis. Greater emphasis is likely to be placed on working effectively on the specific problems of producers rather than jumping in and attempting to imitate the practices of integrators without carefully determining the degree to which they meet the needs of farmer members.

## CAN COOPERATIVES COMPETE?

\*\*\*\*\* William H. Prigmore

Cooperatives have competed successfully for many years under a wide variety of economic conditions. The real concern is this: Will they be as successful and perform as significant a service for their members now that they are in the category of big business? Their present position of strength creates a set of circumstances in which they are not greatly experienced. So my premise is: Yes, we can compete, provided we make the most of the tools and skills at our disposal.

Member Relations. No matter how efficient and competitive we become, member support is all important. This is one of the assets reserved for cooperatives. How do we instill in members today the sense of belonging and the feeling of need we once had? Too often today we are looked upon simply as another source of supply and judged largely by our competitive price position.

The old concept of treating all members alike is difficult to apply today. Ability to compete means accepting the principle of dealing direct with large members and yet preserving a dealer structure in a modified form to serve the smaller user. Equitable treatment of members requires a new definition.

Relations With Other Cooperatives. We must learn to merge rather than compete if we are to exist. The trend is clear in industry and is being urged by many cooperative leaders. There are developments in this direction which are heartening. There is an important step between merger and the isolationist policy which some of us have followed for years. This is the joint approach, and we are pleased with the manner in which it has developed in our area in the past 2 years.

Modern Management. In most cooperatives we operate with the very minimum number of people in top management. In comparing corporate organizations of like size we find many more executives in the vice president category. There must be a sound reason. It is difficult to be fully absorbed in operations and still find time and energy to study, attend



courses, keep abreast of new developments, and provide leadership for the education of the executive staff.

The Policy Group. There are many good studies proving the need for a well-educated board of directors, so I will simply second the motion.

Cooperation between board and manager is essential.

The ability of the board to face changes also is essential to keep us competitive.

Long-Range Planning. Our weakness in this field is in part tied back to our lack of adequate numbers of people in top management. Long-range forecasts of the trends in agriculture and markets is an essential ingredient. Private research firms have done less in the field of agriculture than most other areas. Here is a place where Farmer Cooperative Service could be of real assistance.

Courage. One of the major ingredients in staying competitive is courage, and I would like to mention a few points where I believe we need a lot of it: (1) Get rid of obsolete or inefficient plants, even though the "book" loss may be substantial; (2) eliminate products or services which are a drag on the overall program; (3) guard against adding uneconomical services because of pressure from members or employees; (4) drop the deadwood from our payrolls; (5) have the courage to sell in an adverse situation; (6) have courage to understand that as we take more of a market we can expect our competitors to fight back in every possible way.

In conclusion, I believe cooperatives and their leaders are reaching a stage of maturity to which they will adjust satisfactorily and that they will continue to compete successfully in the future.

## SESSION II

Tuesday Afternoon, December 13, 1960

Chairman: Martin A. Abrahamsen

### HOW CAN FARMER COOPERATIVES WORK WITH LARGE-SCALE BUYERS?

\*\*\*\*\* Kenneth D. Naden

Farmers' marketing cooperatives and large-scale buyers of farm products occupy some of the same ground; that is, perform some of the same functions in market channels. In many areas they are in direct competition to perform the first handler functions - assembly, grading and packing, processing. We have in all these fields either direct procurement by large-scale buyers - that is, buying directly from individual farmers - or farmer cooperative organizations representing farmers and they, in turn, sell to the large-scale buyer or perform the processing function.

We believe the answer to the question "How can cooperatives work with large-scale buyers?" is through collecting and delivering products large-scale buyers want. These will be the products that sell best. This will be under arrangements which reduce the job of procurement for the large-scale buyer. Cooperatives can do this by --

1. Establishing large-scale organizations.
2. Strengthening wholesale markets and the price-discovery system by encouraging farmers to produce for low cost and to produce for the market rather than for their own convenience.
3. Establishing a strong selling program.

In this way they preempt the initial farmer procurement job and make it difficult for others to enter the field as well as reduce the incentive for others to enter the field. It must be remembered, however, that competition will be keen and that if cooperatives fail to perform this function others will be happy to do it.

Another related subject is raised by the question - Does group action by large-scale buyers restrict or inhibit development of bargaining power by farmers? There are several aspects of this question. It seems in general, however, that direct procurement by large-scale buyers will insulate a certain group of producers from outside bargaining power since the large-scale buyer is operating in his own interest rather than in the farmer's interest primarily.

It is a basic principle of agricultural marketing that the assembly and processing of farm products from hundreds and even thousands of farmers by a few processing plants requires coordination and group action. The question of whether that group action is to be done by and on behalf of farmers is germane to the question of who is going to control agriculture and is related to the ability of farmers to achieve greater bargaining power in the sale of their products.

#### FINANCING FARMERS AND THEIR COOPERATIVES IN THE '60's - NEEDS AND OPPORTUNITIES

\*\*\*\*\* Robert B. Tootell

Agriculture is definitely a growth industry, but growth doesn't in any way insure farm prosperity. Our capacity to produce is tremendous, but it is not likely that we will eat ourselves out of surplus in the predictable future. This excess capacity to produce, due largely to excess resources in land and people, is presently around 6 to 8 percent and probably will continue at about that level for some time.

Some people think that the end of the family farm is very near. This may be true as we once knew it, but we do not expect a "take over" by corporation farms. The number of farms with cash sales over \$10,000 has risen markedly in the past 10 years. In 1959, over 700,000 farms were in this category, as compared with less than 500,000 in 1950. I believe by the end of this decade we will have 1 million family farms each with cash sales of \$10,000 or more.

With larger farms to operate, it is very important that farmers be properly financed. Adequately financed farmers will be in a better position to subscribe to capital needs of cooperatives.

More capital will have to come from credit and less from earnings. I don't believe we need to worry about the young farmers getting started. According to U. S. Department of Agriculture estimates, only 1 farm boy in 10 will have an opportunity to operate a farm grossing \$5,000 or more in the sixties. Inheritance, marriage, and assistance by relatives should take care of this member.

I believe there may be a place for permanent debt type of credit in the future, in light of greater capital needs. We expect to see some movement in this direction with less emphasis on eventual debt-free ownership of all farms.

Farmer cooperatives must develop greater capital resources in the sixties to finance mergers, diversification, and integration. Most of



this should come from equity capital and largely from farmers themselves.

Cooperatives need to make more efficient use of present capital. They need realistic patron-credit policies to control receivables. Membership response to capital needs of cooperatives is good if they understand the situation. Our experience in Production Credit Associations has demonstrated this.

The supply of credit in the sixties will be adequate for sound business needs. There is a desirable complex of suppliers. The cooperative farm credit system has the capital structure to permit a much larger loan volume than that of present. However, the greatest service that Banks for Cooperatives can render is to make sound loans under sound credit policies.

One great challenge to all credit sources is to finance farmer needs, not just lend them some money.

#### NEED FOR MORE EDUCATIONAL WORK ON FARMER COOPERATION

\*\*\*\*\* J. Kenneth Stern

Education in cooperatives is a matter of survival. Change is something all cooperatives know is coming yet too many resist it every step of the way. We need more educational work to help cooperatives accept, adjust to, and encourage changes for the better.

The need for more educational work can best be illustrated by relating some of the experiences I have had in recent personal visits to cooperatives.

1. Cooperatives' major needs are for more member capital and more depth in management. The former is accepted but the latter is more difficult to get across.
2. Cooperatives need education on duties of directors and managers. A director of one cooperative was trying to convince the board he should be made an assistant manager.
3. One association had accounts receivable equal to 20 percent of its annual gross sales volume. This is clearly out of line.
4. The manager of another cooperative was accepting "kickbacks" from a supplier. The board condoned this practice because they could pay the manager a smaller salary. Cooperatives must pay hired management a competitive salary.

5. We need to educate cooperatives to work together. Two large co-operatives have taken legal action against each other and are now in court because they couldn't work together. Farmers' and co-operatives' big competitors are usually other cooperatives somewhere, not the large scale buyers to which they sell.
6. How much information should be given to members? At a recent annual meeting of a cooperative, which had a large loss last year, the members were not given an operating statement showing the loss. The management told members nothing.
7. At another annual meeting, elections were held without any prior planning for nominating new candidates for the board. Selection of the best members was left strictly to chance. This is democratic but not very smart when farmers have millions of dollars invested in facilities which must be kept in operation.
8. In many industries, firms get together and have their operating costs analyzed and published so they can compare their operations. Cooperatives need to do this, too. But, first, they need to develop uniform accounting systems and learn to work together.
9. All cooperatives should be larger. No cooperative in the United States today is large enough.
10. Cooperatives need to work with young people and give them responsibility. Let some young people serve on the board or on committees, and on junior boards.
11. Our problem now is educating the second and third generations. One farmer, a loyal member for many years, recently turned his farm over to his son. The son was soon doing much of his business with the cooperative's competitors.

The experiences I have related are typical of education problems among our cooperatives. There is a tremendous job to be done. Education is needed by everyone, from the smallest member to the top management of the biggest cooperative in the country. Cooperatives can't do this job alone. But, other agencies, such as public schools and the State Extension Services, will help if provided the tools.

#### COOPERATIVES AS A WORLD FORCE

\*\*\*\*\* Jerry Voorhis

Cooperation is today one of the strongest and most hopeful movements in the minds and actions of people all around the world.



In no country on earth are there as many different kinds of cooperative or mutual enterprise as exist in the United States. None the less, it is a fact that the general impact of cooperatives on the total economic life of the United States is probably less than it is in many other countries of the world.

Why should this be so?

Partly because the people of the United States do not have the same sense of urgent need as do the people of most other countries. A cooperative enterprise and cooperative relationships among people flourish best and grow faster under circumstances where a deep need for their benefits and help is clear to everyone. And so it is true that all around the world where peoples are now fighting their way out of poverty and sometimes oppression, the word "cooperative" and the word "cooperation" are good, strong, meaningful words - words that become rallying points for people who want to be free and at the same time raise their standards of living.

Under her five-year plans, India proposes a broad development with cooperatives belonging to her own people and comprising perhaps one-third of the entire economy of India as a prime objective.

In Indonesia the basic contest is between the forces of Communism and the dedication of many of her people to development of a structure of multipurpose cooperatives.

One of the finest accomplishments of the American Occupation of Japan was the development of a truly democratic structure of cooperatives, particularly among Japanese farmers.

In almost every newly-free nation of Africa, the development of cooperatives, particularly credit cooperatives and cooperatives to market farmers' crops, is a principal hope and a principal reliance for a better day.

In Latin America, with Puerto Rico as an example of what can be accomplished, there is quickened interest in all kinds of cooperatives which can become a main stream in the development of the economies of South and Central America.

In Western Europe where consumer cooperatives and housing cooperatives as well as agricultural cooperatives have for many years been strong, there is a new spirit abroad which recognizes not only the problems but the challenges of the future.

But the most important point is this - between people who have learned to cooperate, who have experienced the use of mutual aid, and who have built their own cooperative economic institutions based on mutual aid, there does exist an intangible but very real relationship of

understanding and confidence. This is true wherever these people are, whatever the color of their skin, and whatever their economic condition. It is a force for good in the world which can bridge national boundaries and out of which can grow the substance of the peace which mankind must achieve.

### SESSION III

Wednesday Morning, December 14, 1960

Chairman: French M. Hyre

#### OPPORTUNITIES FOR AMERICAN COOPERATIVES IN FOREIGN MARKETS

\*\*\*\*\* Phil S. Eckert

Let us take a quick look at the overall export situation and then see how co-ops fit into the picture.

United States' exports of agricultural products have been good and in dollar value are estimated to have reached an alltime high of \$4.6 billion in calendar year 1960. This compares very favorably with an average of \$3.9 billion in the preceding 5-year period and a prewar figure of \$747 million.

The outlook is for exports to improve more in the foreseeable future. Some positive factors for export to dollar areas include:

1. High levels of economic activity.
2. Increased gold and dollar earnings.
3. Decreased trade restrictions.
4. Lower world price levels.
5. Greater export consciousness.

On the other hand, negative factors which will tend to present obstacles to expanded exports are:

1. The tendency of the Common Market to establish external trade restrictions.
2. Diminution of GATT (General Agreement on Tariffs and Trade) effectiveness.
3. Low rate of population growth in the developed nations.
4. Relatively low elasticity of demand (income and prices).
5. The Communistic economic offensive.

The conclusion I think we can reach regarding exports in the sixties is one of "qualified optimism."

Now, how about opportunities for farmer cooperatives in foreign markets? Commodities which have been exported by cooperatives in past years include grain and oilseeds, cotton, fruits, poultry, raisins, prunes, and tree nuts. There is evidence that cooperatives are stepping up their activities to increase exports of these and other commodities.

One poultry cooperative, the Norbest Turkey Growers Association, Salt Lake City, Utah, has an exclusive agent in Rotterdam who represents them throughout Europe. This organization probably sells more turkeys overseas than any other private organization in the United States.

The Producers' Export Company, New York City, organized by a group of grain cooperatives to seek expanded markets for grain in foreign markets, recently completed the first co-op to co-op sale of grain overseas.

Calcot, Ltd., Bakersfield, Calif., is an outstanding example of a cooperative engaged in export sales of cotton. This organization has been active in establishing agents throughout the Far East, especially in India and Japan.

In canvassing American agricultural attaches stationed in some of the developed countries, we found that cooperatives in a few countries were actively engaged with American exports whereas in other countries there was little or no activity.

There is room for greatly expanded growth in exports by cooperatives. A necessary step in this direction, however, is the development of aggressive sales organizations to serve the export trade and foreign firms.

Cooperatives can do much toward greater liberalization of trade, improving our trade balance, and improving our relations with other countries. The role of cooperatives in foreign agricultural trade in the future may well be that of pace setters in the united effort to increase export sales of all agricultural commodities during the next decade.

#### OPERATIONS OF CCC IN SELLING SURPLUS COMMODITIES ABROAD

\*\*\*\*\* John H. Dean

The CCC moved surplus agricultural commodities into export channels through the following programs: (1) Sales for dollars including certificate or payment in kind at reduced prices; (2) sales for foreign currencies; (3) barter; (4) transfers to other Government agencies; and



(5) donations. Today I will discuss only the sales for dollars and payment-in-kind programs.

The export sales programs are carried out under Section 407 of the 1948 Agricultural Act as amended, and the CCC charter. The objectives of our export operations are to remain competitive in price with other suppliers, and to stabilize world prices, not depress them. It is very important at all times to know who your competitors are and in what volume.

Up to 1954, all sales for dollars were made by CCC from its own inventories to American exporters. Since then, CCC has returned to the normal trade channels, for most commodities, the merchandising operations.

Only four commodities - tung oil, gum turpentine, peanuts, and dairy products are offered for sale on competitive bid by CCC to American exporters for export markets. CCC checks prices being asked by other foreign suppliers in the same market to insure that bids submitted for acceptance are competitive.

An important phase of the sales for dollars in the export programs is the certificate or payment-in-kind program under which wheat, feed grains, cotton and rice are moved into consumption channels. This program turns merchandising back to the normal, free export trade channels; obtains commodities from free market supplies; and reduces the volume of price support commodities coming into CCC inventory. Only the value of the certificate earned by proof of exportation comes from CCC-owned stocks.

The certificate-in-kind program bridges the difference between the higher domestic market price and the lower foreign price. This price difference is made up by furnishing commodities and not cash payments, except for cotton textiles and flour.

Let me explain in general terms, as each program is different in the method of handling commodities under this program. Using wheat as an example, at 3:00 p.m. daily, a subsidy rate is announced by CCC for all classes of wheat at different export locations. This rate remains in effect until 3:00 p.m. the following day. Exporters register sales daily with CCC. When proof of export is presented, the exporter is issued a certificate in the amount of the subsidy rate on the wheat he exported. These certificates are negotiable and can only be used to purchase wheat from CCC at the market price at f.o.b. port position.

For each feed grain on a daily basis, subsidy rates are determined by CCC before bids are submitted by exporters. All bids above these rates are rejected. Certificates issued on a feed grain may be redeemed for any one of five feed grains in CCC inventory.

For the past 2 years cotton has been exported under the payment-in-kind



program. The subsidy rate on cotton is announced at the beginning of the marketing year. Upon proof of exportation the certificates earned are redeemable for only cotton from CCC inventory.

Rice, also, is under the payment-in-kind program. Subsidy rates are announced for the different groups of rice on each Wednesday at noon and remain in effect until the following Wednesday at noon. Rice certificates are redeemable for rice or feed grains.

Soybeans are the only commodity in CCC inventory which do not have to be subsidized for export. They will continue to have a good export market without the need of a subsidy.

#### JOINT EFFORT OF FES AND FCS IN MANAGEMENT TRAINING

\*\*\*\*\* Paul O. Mohn (FES)

Extension's role with farmer cooperatives has never been greater. But the strength of our program and yours comes in pushing into new frontiers as older ones become more routine.

I see five areas where the Federal Extension Service and Farmer Cooperative Service can work together more closely than ever. These areas are: (1) Organizing a new cooperative, (2) market structure, (3) individual firm analysis, (4) workshops and clinics, and (5) exploratory research.

Organization of a new cooperative is incumbent upon us. It is certainly incumbent upon both FCS and Extension that such questions should be raised as: Why should a new one be formed? Can an existing one answer the purpose? Where should it be located? What should be the scale of operations? It seems to me that in this era the strength of an organization to meet market power is the important thing and not the number of organizations.

Market structure is probably the most important problem today. The business of mergers, consolidations and the like is something that is important in market power. Certainly the combination of five or six small processing plants into one would be a more effective organization for producers in the market place than the several individual firms operating alone.

I suspect that most of you are familiar with the New Jersey study involving cooperation between Farmer Cooperative Service, the New Jersey Extension Service, and Federal Extension Service. Here was a case of individual firm analysis by three agencies. The Farmer Cooperative Service had the technical research and the broad background, the Federal Extension Service provided some assistance in procedures and in some of

the analysis, and the State Extension Service provided the follow-up. This is probably the area of greatest additional potential in joint effort between our two organizations.

I believe that joint efforts of FCS and Extension in planning and conducting workshops and clinics are important. For example, we can suggest who the specialists are who may contribute to workshops and clinics that FCS puts on. You folks can help us plan meetings in the subject matter areas. The kinds of workshops I envision that we will be working together on are management, long range planning, directors, operational efficiency (incidentally this is one area which we haven't scratched at all), member relations, and accounting. In several of these areas we have already worked closely together.

We need new ideas in exploratory research. I feel that we need to have considerably more exploratory research on economies of scale, on social as well as economic aspects of mergers and consolidations, long range financial planning, how to develop visionary directors, and others.

Very shortly we will be working with several branches of the Farmer Cooperative Service on a project concerning educational programs for directors.

We are a small group, just as yours. Working together we can be more effective than working separately. Yes, there are many areas of joint efforts. Our objectives are the same, our goals are similar.

\*\*\*\*\* Helim H. Hulbert (FCS)

Both Extension and FCS have the same objective -- maximum assistance to agriculture. And we both have the same common problem -- accomplishing the most with a limited personnel. There is no question but that we should be even closer allies in the future than we have been in the past. But to accomplish this we must improve our communications. This means that each of us, Extension workers and FCS personnel alike, must so conduct ourselves that others can work with us.

Management training is an area where FES and FCS can work together to strengthen farmer cooperatives. Two years ago, as a result of a study of management training, I reported to you that 75 percent of the cooperatives included in our project had not given and were not then giving their personnel any management training whatsoever other than on the job training. Management training remains a sensitive area where joint efforts on the part of both of our agencies should bring fruitful results.

As I visualize our joint efforts, broad educational programs are called for to make people aware of the role of cooperatives as a method of increasing farm income and helping solve some of the farm problems.

I feel we should join forces to:

1. Help farmers use opportunities that are open to cooperatives to expand services and reach more farmers through increasing the effectiveness of their operations.
2. Help farmer cooperatives develop specialized services that will demonstrate the importance of cooperatives to farmers.
3. Help in disseminating the results of research studies that will give cooperatives the benefit of the latest technological and integration techniques.
4. Encourage farmer cooperatives to work together -- to cooperate with one another.

HOW CAN FCS BETTER COORDINATE ITS SERVICE WORK WITH:

#### District Banks for Cooperatives

\*\*\*\*\* John B. Jones

The Banks for Cooperatives are most appreciative of the work of Farmer Cooperative Service and have made some observations concerning this work.

1. Studies and reports made by Farmer Cooperative Service have substantially assisted cooperatives in their operations and, indirectly, have aided our program of helping to finance their requirements. Case studies made by FCS have been a great help to both cooperatives and the Banks in determining specific courses of action.
2. The Banks for Cooperatives would like to see FCS research continue.
3. The Banks' personnel feel that FCS does the best it can to meet cooperative needs with the staff and funds it has available.

Suggestions which might be helpful in obtaining better FCS-Banks for Co-ops' coordination might include the following items:

1. FCS could inform the Banks when FCS personnel are in the district. This would help the Banks gain a better perspective and new insights into current trends and problems of cooperatives. In return, the Banks could make useful information available to FCS personnel. The Banks also could use FCS



personnel as speakers. FCS and Bank personnel should always get together on projects of mutual interest.

2. The Banks could inform FCS by letter periodically on work that needs to be done in their areas.
3. The Banks and FCS could cooperate in encouraging uniform accounting systems among cooperatives.
4. FCS and Bank personnel should discuss research needs of districts.
5. FCS might spend more time analyzing specific problems rather than working on generalities.
6. FCS should keep the Banks for Cooperatives informed about all FCS people and the projects on which they are working.
7. FCS should inform the Banks as to what publications they have available. The Banks could be helpful in obtaining wider distribution of FCS publications. For example, the "News for Farmer Cooperatives" has been particularly helpful in improving the performance of cooperatives and in keeping them informed. It is my opinion that the manager and directors of every farmer cooperative in the United States should receive this publication.

In summary, both FCS and the Banks should cultivate an awareness of the need for closer coordination and the opportunities inherent therein.

#### State Farmer Cooperative Councils

\*\*\*\*\* Edward E. Sletton

There is close similarity between the objectives of FCS and the State Cooperative Councils. Our mutual problem is how to better harness the available horsepower to reach these objectives. This is not to say that a good job has not been done, because it has.

I made a survey of the State Councils to help me convey to you the thoughts of the Council Secretaries. The objectives of this survey were to: (1) determine whether experience indicates some lack of coordination; (2) determine whether we as council secretaries are fully aware of all the service work engaged in and available through FCS; and (3) get some suggestions as to how the services available might be better coordinated or arranged to assist those of us in state council work.

There does appear to be a general feeling among the 22 secretaries

responding to my questionnaire that better coordination could exist between FCS and the State Farmer Cooperative Councils.

In summarizing the results of my survey, I would like to offer the following suggestions for improving the coordination of FCS work with State Cooperative Councils:

1. Inform council secretaries of the total services now available from Farmer Cooperative Service.
2. Inform council secretaries of studies and surveys now being conducted or contemplated in the near future for their respective and adjoining states.
3. Consider a program whereby state council secretaries might know which cooperatives of their state are receiving FCS publications.
4. Make findings resulting from a study of a specific cooperative available to other cooperatives.
5. Put a calendar of major cooperative events in "News for Farmer Cooperatives." Also include some stories on major activities of leading cooperative councils.
6. Explore the possibility of making farmer cooperative statistics more current.
7. Weigh such recommendations as those of one secretary who said, "I think all of us in councils, FCS, colleges, AIC, and National Council should attempt seriously to get together on research needed. You might suggest a beginning planning conference which would lead to major developments with the new administration." Another secretary said, "Since FCS does not have funds to carry on large research projects, in my opinion, it should specialize in making studies in local and regional cooperatives that are of immediate operational value."

In conclusion, I would like to suggest that Farmer Cooperative Service, in cooperation with state departments of agriculture and land-grant colleges, make a nationwide survey of all cooperative operations in the United States. This survey should be made county-by-county and state-by-state with the objective of "blueprinting" the best plan for consolidations of cooperatives. Such a study, when completed, would be reviewed by cooperative leaders to determine the feasibility of the "blueprint."



## State Departments of Agriculture

\*\*\*\*\* Edward C. Collins

The Agricultural Marketing Act of 1946 authorized the U. S. Department of Agriculture to enter into cooperative arrangements with State departments of agriculture to develop and conduct, on a matching-fund basis, marketing service projects designed to solve marketing problems at the local level. The program was started in 1947 with 21 States participating.

At present, 117 projects are under way in 40 States. These projects deal with just about all of the agricultural commodities and involve the following fields of work: (1) Improving or maintaining product quality, (2) expanding markets for farm products, (3) reducing costs through improving the efficiency of marketing facilities and operations, and (4) providing producers and marketing agencies with new, more timely, and complete marketing facts and information.

In many States, work conducted under the AMA program is placing increased emphasis on providing aids to management. This is similar to the consultant services of FCS.

I believe there is an excellent opportunity to strengthen the coordination of FCS and State departments of agriculture in solving problems in the cooperative marketing field. The factors that make this possible are:

1. Both agencies have been delegated the responsibility to work on service activities designed to solve problems in the marketing of agricultural products.
2. Most State departments of agriculture have come a long way in the past few years in developing marketing service programs, and many have divisions of marketing which include cooperative marketing sections.
3. Most commissioners, secretaries, and/or directors of agriculture understand and are sympathetic toward the development of cooperative marketing agencies.
4. The FCS staff has the experience and specialized skills to assist State departments of agriculture in developing more effective marketing service programs with cooperatives.

What can be done to strengthen the working relationship between FCS and State departments of agriculture? A few suggestions are (1) closer liaison between FCS and our Liaison Office; (2) greater use of FCS personnel in providing advisory assistance to State departments of agriculture; (3) regional workshops with FCS, Liaison Office, State

departments of agriculture, and cooperative personnel participating to explore the coordination of activities in cooperative marketing; (4) surveying State departments of agriculture to find what types of cooperative marketing activities their personnel are working on and are interested in; and (5) more emphasis on publicity of FCS activities.

This does not represent an attempt to build a bureaucratic empire, but only to carry out our mandate to get an extra nickel, or dime, or more for producers through improved marketing practices. This job demands the best we have to offer.

## SESSION IV

Wednesday Afternoon, December 14, 1960

Chairman: Raymond L. Fox

### RECENT LEGAL AND LEGISLATIVE DEVELOPMENTS PERTINENT TO COOPERATIVES

\*\*\*\*\* Lyman S. Hulbert

Many cooperative managements believe that the Capper-Volstead Act provides cooperatives complete immunity to prosecution under the antitrust laws, but that is not true. Once a cooperative is organized, its conduct must be the same as any other corporation.

Cooperatives should consult the Justice Department before going into mergers or consolidations as to the legality of the move. If they are granted clearance they usually have nothing further to fear. Information which is given to the Justice Department to obtain clearance is given confidential treatment unless the case later goes to trial.

If a business concern violates the antitrust laws and one of its competitors is damaged thereby, it may bring suit against the business concern. It used to be that a business competitor waited for the Justice Department to bring suit. In the last 2 or 3 years, however, many suits have been brought by competitors where the Justice Department took no action at all. If the defendant loses the case, damages are multiplied by three. He also pays all costs and attorney fees. Cooperatives should be alert for this type of suit.

I believe in the next year or so Congress will pass a law that will change the tax laws concerning cooperatives and their members. The 1951 Act was passed on the theory that someone would pay taxes on cooperative earnings. The regulation of the Internal Revenue Service requiring a patron of a cooperative to pay income taxes on paper allocations was held invalid by the courts. Hence now a patron does not pay income taxes on paper allocations unless the paper allocations have a fair market value; thus most patrons of cooperatives are not now required to pay income taxes on paper allocations. Today, we should work for a law taxing patronage refunds in the hands of the patrons in the year of receipt in any form at their face value.



## EFFECTIVE METHODS OF PRESENTATION AND APPLICATION OF STUDY FINDINGS

### Presenting Information to Industry Groups

\*\*\*\*\* Daniel H. McVey (paper read by Francis P. Yager)

The first conference of officials of the cooperative soybean mills was held in Peoria, Ill., in the spring of 1948. Joint sponsors were the Northern Laboratory of Agricultural Research Service and Farmer Cooperative Service. There were 32 representatives from 18 cooperatives in attendance. The laboratory took one day to present their program of research on soybeans and products. The second day was used to discuss cooperative operations and problems. At the request of this group, we have held a similar meeting each year. One of the major topics for discussion at these conferences has been the operating results of the mills for the preceding year.

In the spring of 1949, we held the first conference for the officials of the cooperative cottonseed mills in New Orleans with the Southern Laboratory as a joint sponsor. The results were much the same as with the soybean people.

Separate conferences of the two groups were held until 1955. That year, we held a joint meeting of the two groups. After all, these cooperative crushers have a lot more in common than they have to fight about. Joint meetings have been held every year since, with both laboratories participating.

Since 1955, we have been holding the conferences in the cities where there is a cooperative mill. We alternate between the cottonseed and the soybean territory.

We believe these conferences have been worthwhile based on the following: (1) The annual request for another meeting, (2) the letters of appreciation we receive, (3) the increasing attendance in terms of number of organizations and people, and (4) continued participating of the laboratories, banks for cooperatives and other interested agencies.

We have followed a few principles through the years that have contributed much to the success of these conferences. They are:

1. Discussion topics have been timely; currently exports are prominent in the picture.
2. Our case study reports on operations have been useful, beneficial, and current. We try to get reports back to the mills

within 6 weeks after we receive the last audit. Distribution of these reports is strictly limited.

3. We have kept speech making to a minimum both in number and length with the emphasis on group discussion. There is a lot of business conducted outside the formal sessions.
4. We use the mill and bank personnel as discussion leaders to the greatest possible extent.
5. We restrict the invitations to personnel of the cooperatives concerned and any outside discussion leaders. This adds much to a free discussion.
6. We have purposely avoided publicity, which takes some of the pressure off expanding the invitation list.

FCS has benefited from this work. We have the confidence and support of these people. We have the greatest and most detailed amount of data on oilseed processing that has ever been assembled by a Government agency. This is extremely helpful when some new group requests a feasibility survey.

#### Getting Better Results from Special Case Studies

\*\*\*\*\* Homer J. Preston

The Farmer Cooperative Service case study reports of individual cooperatives are generally well prepared. The conclusions and recommendations are usually well received. However, the cooperative being studied is often slow to change operations.

FCS has a responsibility to see that: (1) The cooperative identifies the problem, (2) remedial action is understood, and (3) if practical, prompt action is taken.

If this is our responsibility, we must also accept that it requires an intensive approach. Follow-up action of some type is necessary. One of the most effective means is close cooperation with State Extension specialists.

Also, I believe that both oral and visual materials should be used in presenting the analysis to the board of directors. In many instances the management process has deteriorated and close working relations must be developed to obtain competent decisions. Further, the FCS staff member has had many similar experiences but the board of directors and the management staff may never have had experience in such analysis.

Individuals from the cooperative must become deeply involved in the study. It is important to have them in on the initial work, and then, if possible, they should be a part of a study committee. Let me emphasize the study committee working alone does not constitute adequate follow-up, but it is an effective group through which FCS and others can obtain action. I am convinced that we cannot achieve major results simply by mailing out copies of a report.

#### A Service Study in Member Relations

\*\*\*\*\* Oscar R. LeBeau

Several years ago, at the invitation of Southern States Cooperative, Richmond, Va., the Farmer Cooperative Service made a study of that association's women's program. The program had been in operation for 13 years, and it seemed desirable to review its effectiveness.

We began by reviewing the program as we had observed it through various field and office contacts. We studied the available literature and reports. After digesting this information, we outlined the major strengths and weaknesses and drafted some tentative recommendations.

Our next step was to ask for a conference with the two Southern States employees most responsible for the program -- the Director of Member Relations and the Director of the Women's Program.

Holding this conference enabled us: (1) To check the completeness and accuracy of our information; (2) to evaluate the feasibility of each preliminary recommendation; and (3) to pave the way for ultimate acceptance of the final recommendations. In addition to devoting the greater part of a day to discussing details with these two key people, we met with the general manager and several of his top assistants to discuss some of the broader aspects.

Following this fruitful exploratory conference, we returned home to complete our report. Officially it was termed FCS Advisory Report 22, "A Brief Analysis of Southern States' Farm Home Advisory Committee Program." It reviewed the highlights of the program and concluded with 12 specific recommendations. Before reproducing it, we forwarded a copy to the Director of Member Relations for a final review. Copies were later distributed to key personnel throughout the cooperative.

Since issuing the report, we have had the satisfaction of seeing virtually every one of our specific recommendations put into effect. We have seen an improvement in the meetings conducted, in the literature distributed, and in the general enthusiasm of the women toward the program. Moreover, through subsequent meetings and contacts, we have



been able to make supplementary suggestions from time to time for the further development of this work.

Southern States Cooperative's Farm Home Advisory Program now stands among the top three or four such programs in the country. It is a fitting model for farm supply cooperatives everywhere.

### Ways to Make Audience Contacts

\*\*\*\*\* Beryle E. Stanton

FCS has many ways to make contacts with our audience -- the co-op people primarily -- in order to give them results of our studies, and many ways to improve what we are doing.

One outlet is not enough; we really need to use a multi-socket approach to get more candlepower for our findings.

Suggesting ways for improved and expanded use of these outlets include: Use of visuals such as color slides and charts with talks ... making more picture packages and short movies for the USDA television circuit ... taping interviews or talks for radio on research results ... giving a visual image of our work through combination displays of publications and other exhibits ... continued use of releases to the co-op press written with the farmer-member in mind ... more stories geared to the trade press ... continuing articles in the News for Farmer Cooperatives to highlight study findings ... and improving the publication itself.

To give more wattage to our findings through the major publication, it may be possible to break long reports up into several smaller ones -- both for better readership and to get results out faster; to keep reports as short and simple as possible but choose the words so wisely that the reader's thinking will be stimulated. About 10 things we would suggest that FCS reports could do without include these -- less phrasery, less verbosity, less passivity, less ambiguity, less obscurity, less profundity, less technicality, less methodology, less theoryology, and less tautology.

### Using Slides and Charts to Present Research Results

\*\*\*\*\* Paul C. Wilkins

Colored charts showing major findings of research studies and colored slides of these charts are effective in getting fast and widespread distribution of research findings. The project that provides the example is a national survey of the frozen food locker and freezer provisioning industry.

In this project, we had the problem of surveying an industry of some 10,000 firms, analyzing the return questionnaires, and then producing a report on the study -- all in a period of about 8 months. Twenty colored charts providing current information on basic industry trends were developed and presented at the industry's national convention to about a thousand operators, supply manufacturers, and college personnel 8 months after the first questionnaire was mailed.

A highlights report was then developed around these charts and given wide distribution -- generally reaching half the firms in the industry. Later the charts were used in a more detailed general report on the study and in articles for the News for Farmer Cooperatives and for the trade press.

Colored slides of these charts were used at State association meetings and before cooperative groups. A text was prepared on the important points shown on the slides, and the text and slides were loaned to cooperatives for their annual meetings, to educational institutions, to State associations, and others.

A set of these charts and slides are used from 20 to 25 times. This type of visual aid gives fast and widespread distribution of research results.

## LESSONS FROM AGRICULTURAL COOPERATIVES IN FOREIGN LANDS

### India

\*\*\*\*\* Martin A. Abrahamsen

There are tremendous differences in the degree of maturity and methods of operations of American and Indian cooperatives. Nevertheless, the differences that prevail are largely ones of degree. It seems to me that the experiences of Indian cooperatives only served to reemphasize the importance of recognizing basic fundamentals in the operations of all types of cooperatives irrespective of country, culture, or stage of development.

Observation of cooperative performance in India suggests that in that country as well as in America, there is no substitute or short cut for: (1) Developing an aggressive information program, (2) securing membership participation in financing, and (3) carefully determining the contributions and role of Government.

## Congo

\*\*\*\*\* John M. Bailey

Congolese cooperatively engage in various, but generally minor, activities in the following crops: Cotton, rubber, palm oil, peanuts, coffee, fish, and some fruits and vegetables. In addition, they provide farm supplies and consumer items and services.

One lesson of Congo cooperatives is the weakness of depending on others in a production or marketing operation. Most cooperative efforts of Congolese depend upon the activities of processors and shippers for success in the marketing line. This has implications for us in the need for further integration of U. S. cooperatives.

Another lesson is the further evidence of ability of people to improve their standard of living through cooperative effort.

Hand grinding versus mechanical milling of manioc flour is one example. Joint ownership of transportation facilities, whether two oxen or an old truck, to reduce manual labor is another.

## South Pacific - Latin America

\*\*\*\*\* Kelsey B. Gardner

Cooperation among the peoples of the areas served by the South Pacific Commission has attained some stature. On the basis of figures available in 1958 at the time I represented the United States at a Technical Meeting on Cooperatives held at Port Moresby, New Guinea, about 35 per cent of the population was involved in cooperative activities. The scope of these associations was widespread. Marketing associations, consumer societies, credit unions, and school cooperatives were among those represented.

One significant development was the school for extension educational work in cooperation maintained at Konedobu by cooperatives and the territorial government of Papua and New Guinea. The Commonwealth Bank joined with the territorial government in promoting cooperative education. A school complete with class room, dormitory, and eating facilities for 40 students was built at a cost of about \$50,000. The Bank contributed about \$15,000. Cooperatives furnished \$35,000. Up to the time of the 1958 conference 107 young men had been trained for positions with cooperatives.



In August 1960 it was my privilege to serve as a member of the U. S. delegation at the joint conferences on agriculture held at Mexico City under the sponsorship of the Organization of American States and the Food and Agriculture Organization of the United Nations. Twenty-four countries were represented.

Farmer cooperatives were repeatedly mentioned in committees and plenary sessions of the conferences. It was significant that most of these references involved use of farmer cooperatives as voluntary, independent, service organizations. The conspicuous exception was Cuba with its "600" collectivist type of association.

Agrarian reform was a primary subject of discussion. It was significant that this term has come to mean to many important individuals in Latin America much more than division of large estates and other tracts to small holders. Many delegations were headed by Ministers of Agriculture. It was gratifying to hear them define agrarian reform as embracing not only land division but also all of the things we in the United States would include in the broad term of agricultural improvement. Briefly, this implies extension service to train the landholder in better farming methods, including the use of fertilizers, better seeds, improved breeds of livestock, pesticides, and cooperatives as sources of needed services and supplies. These broadened concepts of what it will take to build a better agriculture in Latin America would seem to hold much promise for the future of that area.

### Canada

\*\*\*\*\* Lorenzo B. Mann

Specific studies of successful cooperatives in foreign countries can be of real value to cooperatives in the United States. An example of such a study was the report of the integrated and multipurpose operations of La Cooperative Federee de Quebec with headquarters in Montreal, Canada.

The purpose of this study was to determine factors contributing to the success of this association in expanding and integrating its operations. Findings showed that this cooperative was especially successful in working out contractual arrangements between farmers and their local cooperatives and between the locals and the Federee.

This information will be useful to cooperatives in the United States who are developing techniques for further expanding and integrating their operations to strengthen their bargaining position and to increase savings. The study also indicated that the Federee provided a wide variety of marketing, farm supply, and other business services for its 375 local associations with a membership of 50,000 farmers. Sales of this cooperative have increased from \$53 million in 1950 to \$115 million in 1959.

## Turkey

\*\*\*\*\* J. Kenneth Samuels

The typical agricultural cooperative in Turkey is a member of a union or what we would term a federation. However, the basic difference is that in Turkey the union is controlled by the government. In the United States, of course, the federation is owned and controlled by its member cooperatives.

Unions are established to market figs, raisins, hazel nuts, cotton, and fresh fruits and vegetables, and possibly other commodities. A number of agricultural enterprises, such as sugar refineries and wineries, are State monopolies.

The manager of a union is selected or approved by the Ministry of Commerce and the union is financed through the Agricultural Bank, so in effect these are quasi-government operations. The purposes of the union, as given by an official of the Mesabi Fresh Fruit and Vegetable Organization, Istanbul, are:

1. Establish member cooperatives.
2. Engage in exporting fruits and vegetables delivered by members.
3. Distribute credit to members.

The member cooperatives distribute credits to their farmer members in the form of seed, fertilizer, insecticides and other supplies and assemble products for sale through the union.

Generally, the union owns and operates the packing and marketing facilities which are financed by the government agricultural bank. The facilities of the local cooperatives are generally very limited and may consist of a warehouse and office. Very little, if any, grower capital is used to finance the organization.

Many of the unions of cooperatives operate on a pool basis with cash or credit advances to growers. So far as could be determined, no deductions are made for capital purposes. The growers receive the total sales proceeds, less expenses.

In discussing cooperatives with the provincial directors of agriculture and others in the shipping areas, it was pointed out that more cooperatives are needed and there is great interest in developing cooperatives. However, everyone interested in helping is handicapped by a lack of knowledge on how to form and operate a grower-owned cooperative. Also, competent and experienced management is very difficult to obtain.

In my report to the International Cooperation Administration and the Minister of Agriculture of the Turkist Government, it was suggested that farmers be encouraged and assisted in developing and operating sound marketing and supply cooperatives by:

1. Preparing a pamphlet that would tell in simple language the purpose of a cooperative, steps in organizing a cooperative, what a cooperative can do for farmers and what it can't do, and the duties of the members, the board of directors, and the manager.
2. Establishing a position of cooperative specialist in the marketing section of the Ministry of Agriculture.
3. Making long-term and short-term credit available to farmer cooperatives from the Agricultural Bank on a sound basis. Loans should be made only when the farmers themselves provide a part of the financing.

#### England and Denmark

\*\*\*\*\* Joseph G. Knapp

On my vacation trip to England and Denmark this year I was able to visit many cooperative friends in both countries, as well as our Agricultural Attaches in London and Copenhagen. I was impressed with the fine work being done by these foreign representatives of our Department of Agriculture.

In England I found that farmer cooperatives have made great progress since my last visit 5 years ago. The consumer cooperatives are meeting stiff competition from the "multiple shops" -- or chain stores, as we call them. There are two schools of cooperative thought on how this problem can be met. One group favors strengthening the existing forms of cooperative organization. The other group, known as the "ginger" group, would drastically re-orient consumer cooperatives with more emphasis given to retail distribution. This is a situation well worth watching.



## SESSION V

Thursday Morning, December 15, 1960

Chairman: Joseph G. Knapp

### HOW FCS AND COOPERATIVES WORK TOGETHER IN TECHNICAL PROGRAMS FOR FOREIGN NATIONALS

\*\*\*\*\* Harry N. Weigandt

For many years the Farmer Cooperative Service has been contributing much of its time, skills, and techniques to the technical assistance training programs for thousands of participants from the less-developed countries throughout the "free" world. These programs are sponsored by the International Cooperation Administration, the Ford Foundation, American-Asian Foundation, Kellogg Foundation, Rockefeller Foundation, the Food and Agriculture Organization of the United Nations (FAO), Public Law No. 402 administered by the U. S. State Department, and various other agencies.

In developing and implementing these programs and itineraries, I am the liaison and coordinating representative of the Farmer Cooperative Service in the field of farmer cooperatives, agricultural credit and allied subjects.

During the 11 years of our work in this field, we have assisted more than 2,800 foreign nationals from at least 89 countries. Currently we are working with over 600 participants each year from more than 60 countries. We examine their needs and then develop study programs and itineraries for field study of farmer marketing, purchasing, service and credit cooperatives and related institutions.

Farmer Cooperative Service has been able to obtain and maintain the voluntary cooperation and assistance of many farmer cooperatives for both brief, and at times, somewhat extended visits of foreign nationals to their facilities. Without this cooperation on the part of our cooperatives, the program would be lacking in effectiveness.

I have been technical consultant and leader for seven different groups during their months of travel and study in the United States. These have included a large group of cooperative officials from The Netherlands; a group of German technicians; a group including the Minister of Agriculture from Austria; a group of Japanese bankers and cooperative leaders; another large group of cooperative leaders from Japan studying farmer organizations, marketing, purchasing, irrigation, and agricultural credit cooperatives; and a group of agricultural officials and cooperative leaders from Yugoslavia studying agricultural policies, legislation, farmer cooperatives, and agricultural credit.

Just recently I served as technical consultant and leader for a third Japanese group, here to study cooperative marketing, legislation, agricultural credit, farm organizations and cooperative federations. This study covered a wide area: North Carolina State College; the University of Kentucky and various cooperatives within that State including the Farm Credit Banks at Louisville; the Indiana Farm Bureau Cooperative Association at Indianapolis; the University of Minnesota and various cooperatives in Minnesota; and the Cooperative League of the U. S. A. at Chicago, including the urban renewal development and large consumer cooperative store at Hyde Park, (Chicago).

The international technical assistance programs are now being projected to include the newly-emerging countries of the African Continent. This gives promise of intensive activity for the months and years ahead. Recently we met here with the Second African Industrial Development Study Group, consisting of 21 participants from 12 countries of Africa, who had an interest in farmer cooperatives and agricultural credit.

Aside from sharing our cooperative skills and techniques with these foreign nationals who come to our country to learn how to improve the economic structures of their countries, the technical assistance programs are an excellent opportunity to create good will and better international understanding among nations of the world. This transcends the mere sharing of our agricultural and industrial skills and techniques.

Furthermore, we learn tolerance from our international participants who engage themselves in our training programs. Through retrospection and introspection, we learn how to count our many blessings which we are prone to take too much for granted. The project is a two-way street -- we learn by imparting our knowledge to a less-fortunate world, which rebounds to us a thousandfold toward a clearer and more profound international understanding.

In closing, a tribute and a sincere appreciation is extended to the many and varied cooperative associations in the United States, the three major farm organizations -- the National Council of Farmer Cooperatives, the American Institute of Cooperation, the Cooperative League of the U. S. A. -- and many other agencies who have given so freely of their time, energy and skills in making these international training programs so effective and worthwhile.

#### DEVELOPING A UNIFIED MARKETING PROGRAM

\*\*\*\*\* Ronald N. Goddard

G.L.F.'s volume of business has in the past been concentrated primarily in the area of providing production supplies to farmers. This cooperative markets eggs, beans, and flour, but our marketing volume is still small compared to our farm supply business.







The types of varying behavior one observes in the movement from folk to secular practices and values in developing countries are explained by the basic characteristics of folk and secular societies. There is inevitable conflict between folk and secular practices and values in all societies, especially in so-called underdeveloped countries. When planned development starts, it is in the hands of national leaders, not peasant groups. Accommodation between the influences of folk and secular values is, therefore, an inevitable process unless revolutionary methods are used.

Our attention is confined to those countries which are consciously or semi-consciously attempting to use cooperation as its process of accommodation between conflicting groups and ideologies. In India, idealists do not reckon with the inevitable influence of secular development. Planners don't appreciate the inevitable cultural inertia of old folk ways and values. The results are that planners and development leaders allocate development responsibility to presumed self-directed, homogeneous, cooperative village groups which don't accept and exercise this responsibility for local development. What India is now calling democratic decentralization is an attempt to coordinate these local activities with overhead development.

What of the future? In her drive for necessary secular development, India has chosen an alternative in which cooperatives will, or should, play a leading role. To the extent this alternative succeeds, India may accomplish the possibility which I mentioned earlier, the greatest development of cooperatives the world has ever seen. To do this, she must more effectively develop the secular role of cooperatives.

Modern cooperatives must be secular, hardheaded, business organizations in a price and market economy. Even then, they should be mutual aid associations. To argue that they should be nothing more than hardheaded business organizations is to argue that the word cooperation had just as well be stricken from the dictionary, and to confess that in modern, secular societies, only economic and material values shall dominate our individual and national life.

## SESSION VI

Thursday Afternoon, December 15, 1960

Chairman: Kelsey B. Gardner

### WHAT COOPERATIVES CAN DO TO MEET THE FARM PROBLEMS

\*\*\*\*\* Bushrod W. Allin, Discussion Stimulator

As "discussion stimulator" for this panel, which represents much of organized agriculture I suggest that we try to focus our discussion on the roles of the cooperatives and the Government as instrumentalities for maintaining reasonable prices and incomes to farmers.

The notion that farmers are the "producers" and others are "marketers", or something less respectable, still persists in some quarters and is as old as the doctrines of the physiocrats. Moreover, the persistence of the idea is not without some foundation in fact. From the earliest agrarian revolution, when farmers were told (as they were again told after World War I) that their problem was not a "production" problem but a "marketing" problem, they were really being told that it was a price problem.

As any economist knows, price is a function of "supply and demand." Thus, to influence price farmers must influence either supply or demand, or both. To exert an influence on either of these variables is to exercise bargaining power.

That many cooperatives have found it desirable or necessary to "follow their product closer to the consumer's table" (and hence to engage in the production of marketing services beyond the farm gate) has been due to the difficulty of getting any control over supply. Their next best alternative was to attempt to take over some of the functions of marketing agencies by performing them more efficiently. This has been a tough job; and, so far as many of the basic staples are concerned (such as cotton and wheat), a near failure. Hence, the evolution of the Commodity Credit Corporation as the greatest and most successful economic innovation thus far for giving farmers bargaining power. Hence, the persistence of two distinct theories of cooperative marketing: (1) The Aaron Sapiro bargaining theory, and (2) the more respectable "efficient production of marketing services" theory.

One pure form of voluntary cooperation is the classical concept - free atomistic competition, under which everybody cooperates without intending to do so. But every successful cooperative lays down rules for its members to obey. A democratic government is as much a cooperative as

many of our cooperative marketing organizations, and even more so than our corporations.

Classical voluntary cooperation resulted in the burning of tobacco barns a half century ago. We then evolved to the Sapiro Tobacco Pools of the twenties, but the activity of these pools is now stabilized and operating with the assistance of the Commodity Credit Corporation.

When we ask ourselves what should be the future role of Government in relation to our farmers and their cooperatives, is our answer to go back to barn burning? To Sapiro's Pools? To keep what we have? Or what else is both possible and better?

Now is the time for decision. A new administration is taking over and wants to know the answer. What answers do you have, as representatives of most of organized agriculture? Let us start with the views of the Farm Bureau.

#### American Farm Bureau Federation

\*\*\*\*\* Kenneth Hood (paper read by Joseph G. Knapp)

In agriculture today, there is nothing more constant than change.

We are all aware of the startling technological revolution that has taken place in American agriculture in the last 40 years.

In marketing, we have progressed from a quaint system of peddling and bartering a miscellaneous array of farm products to the complex distribution system we know today.

As farming becomes more highly complex and increasingly specialized, there will be an even greater need for agricultural knowledge and managerial skills than there has been in the past.

Our concept of the part that cooperatives might play in helping farmers meet the challenge of the new age are embodied in our 1960 resolutions, which state in part:

"Agricultural cooperatives are a vital part of our private competitive system. Their basic aim is to enable farmers to compete effectively in the sale of products and the purchase of supplies and services. Efforts to increase farmers' bargaining power should stress improved organization and management of cooperatives rather than reliance on governmental authority."

A partial list of the areas of activity where it appears that cooperatives can and must make an ever larger contribution to the solution of farm problems in the years that lie ahead follows:



1. Set the pace for businesses other than cooperatives - in quality improvement, cost of farm supplies, and the like.
2. Adjust to take advantage of new developments arising out of vertical integration and large-scale, specification buying.
3. Establish bargaining cooperatives to negotiate with buyers where products are sold on contract.
4. Assist in domestic and foreign market promotion.
5. Champion self-help and keep the management of agriculture in farmers' hands.

If cooperatives are successful in assisting their members in solving their purchasing and marketing problems through farmer-owned and controlled business organizations, we shall have taken a long and momentous step in the direction of a real self-help program of, by, and for farmers.

#### Cooperative League of The U.S.A.

\*\*\*\*\* Jack T. Jennings

As you know, the Cooperative League is a consumer-oriented federation, but this does not mean we have no little respect for the agricultural producer, for he is one of the Nation's most important consumers. It seems to us that in the consumption field, farmers through their cooperatives have done a commendable job. Yet, there are still new frontiers which need cooperative development in the consumer field if farmers are ever to round out their purchasing programs.

After observing cooperatives in many countries over the years, it seems that it has been a rather general attitude of American farmers to practice the cooperative technique in the marketing area and be happy to let the middlemen take it from there. In other countries, this is not the rule.

As our president, Murray D. Lincoln, has pointed out so many times, the big area for cooperative expansion is in the processing and distributive field. Farmers have been slow in making headway in this economic area for a number of reasons. It takes a great amount of money, and in times past, they have burned their fingers because they didn't have the know-how. In many cases, however, they have been successful.

Consumer cooperatives are now making their greatest gains in history. Farmers should welcome these consumer organizations with the realization that already they provide a sizeable market for their products and stem the trend toward monopoly of the chains which already presents farmers with a knotty problem.

Time will tell whether farmers or urban consumers will dare enter the middlemen's field to any great degree. At present farmers have more resources, probably greater leadership - and more to gain - in plowing this ground. At the same time, imaginative leadership in the consumer field is beginning to develop machinery for this purpose. It would seem logical that some day there might be a happy balance of the two types of cooperatives which would perform the function of enhancing the income of producers and lowering the price to consumers.

As our co-ops grow, we must continue to show our economic as well as political strength. But we can't depend on legislation or Government measures to do all the job. In order to increase farm income, cooperatives will have to meet the challenge head on. We have to strike out and mop up some of the wastes in the area between producer and consumer.

None of these things can be done without adequate financing. We recognize the importance of farmers' increasing their investment in their marketing and supply cooperatives. Also important is the development of top leadership. And we need a well developed public relations program which will build good will nationwide.

We think these programs will go a long way to solving the farm problem; that is, increasing income and lowering costs of production.

#### National Council of Farmer Cooperatives

\*\*\*\*\* Kenneth D. Naden

The principal topic that will be discussed at the annual meeting of the National Council of Farmer Cooperatives is "How to raise the bargaining power of cooperatives." Some of the problems that need to be covered in this regard are:

1. Inadequate size of farmer cooperatives. Larger cooperatives are generally more efficiently operated. The principal method of increasing the size of cooperatives is by new membership in existing cooperatives or by merging with other cooperatives.
2. Inadequate financial strength. Farmer cooperatives can obtain financial strength by showing farmer members that greater returns can be realized by investment in their off-farm marketing and purchasing activities.
3. Inadequate merchandising and selling. Using brand names and stressing quality control and uniformity will give the retailer a more desirable product. Control the supply. Don't dump on the market.
4. Inadequate contracts with members. The purpose of contracts with members is to insure adequate volume and, at the same time,

to raise the quality of the product so that purchasers will want to buy.

5. Inadequate power to control surplus. Private power to control surplus would include adequate processing facilities; marketing agreements; diversifying and stratifying the market; directing agricultural products to food and non-food uses, and clarification of the Capper-Volstead Act.

#### National Farmers Union

\*\*\*\*\* Angus McDonald

In trying to arrive at some answers to the farm problem, we must look at the overall problem rather than just a small part. The industrial and agricultural part of our economy is different from the competitive part of the farm economy. Food prices are similar to steel administered prices in many ways. For instance, the price of bread in Chicago did not change when prices for ingredients were going down.

One of the major problems in our economy is that a few groups are dominating the marketing areas. What we need now is to amend our antitrust laws. The courts should have another look at the whole economic process, at all the stages.

Cooperatives should have the same rights as labor unions do when they bargain for wages and prices. Monopoly is bad. But the important thing is that co-ops should have equal rights to merge, consolidate, or buy a processing plant as any other business.

We believe strongly that the only hope for cooperatives is in vertical integration, and perhaps, horizontal integration. Certain legislation is needed, however, to clarify our position on this.

The farmer's problem is really one of price and income. The surplus situation, however, must be overcome before any of the other difficulties facing farmers will be solved. Farmers should have the same right to limit production as the automobile manufacturer.

#### National Federation of Grain Cooperatives

\*\*\*\*\* Bruce J. Hendrickson

The first grain storage facility built by farmers as a cooperative was constructed more than a century ago at Madison, Wis. Since that time, grain producers have repeatedly joined together in self-help grain marketing efforts.



Cooperatives have an important place in the marketing of grains and oilseeds. There are more than 2,700 local grain associations - small, medium, and large. These in turn have organized some 28 regional or federated marketing associations to supply marketing services at all of the terminal markets.

To better serve their patron-members, many of the regional grain cooperatives have started effectively to meet some of the farmers' most pressing problems. For example, Producers Export Co., New York City, helped meet the need for expanded markets by initiating the first co-op to co-op sale of grain abroad through its recent sale of hard, red winter wheat to the British Wholesale Society.

Recent acquisitions of the Honeymead soybean plant and the McCabe feed houses by Farmers Union Grain Terminal Association, St. Paul, Minn., are indications of the way some regionals are integrating to maintain their competitive strength.

In its first year of operation the Arkansas Grain Cooperative, Stuttgart, with a daily capacity of 27,000 bushels, strengthened farm prices in that area to the extent of some five million additional dollars in the farmers' pockets.

To meet storage needs of farmer-members, cooperatives have expanded their grain storage capacity in recent years to a point where they now own about one-third of the licensed grain storage capacity in the United States, or around 1 billion, 280 million bushels. About 80 percent of this capacity is at the country level and the remainder at terminal or subterminal points.

Grain cooperatives at all levels have been organized in response to the need for fair practices, better services, and adequate facilities. They have greatly contributed to efficient marketing by appreciably narrowing the toll borne by producers and consumers in the marketing process. Savings above expenses of grain cooperatives have increased the financial returns to farmers by millions of dollars annually.

#### National Milk Producers Federation

\*\*\*\*\* Val C. Sherman

We believe that farmer cooperatives are going to be increasingly important in the years ahead, but there are many problems that need to be solved along the way.

One of the principal functions of the National Milk Producers Federation is to give member associations a sound basis upon which they can make decisions. Recently, the Federation formed a committee of independent economists and specialists from land grant colleges to prepare a report on dairy supply and price policies.

Dairy farmers can expect the same or very little increase in prices if the present price support program is continued and if there are no controls on production or marketing.

At the recent annual meeting of the Federation in New Orleans, the matter of marketing quotas on milk was a principal topic of discussion and created a tremendous amount of interest.

Voting delegates discussed the subject vigorously and finally recommended a program of further study designed to bring supply and demand into a better state of balance.

#### A FORWARD LOOK AT FARMER COOPERATIVES

\*\*\*\*\* Vernon Vine

There apparently is a resurgence of interest in marketing throughout the body of agriculture, and thus it seems we may be well on the threshold of the fourth era of agriculture in this century.

The key words of the new era into which we may be entering appear to be "bargaining power", but the crux of the problem is that bargaining from a position of surplus is far more difficult than bargaining from a position of scarcity.

The fact that chains move such a vast volume - and such a large proportion - of foodstuffs on the retail market is one of the hard core facts co-ops must continue to deal with.

On the other hand, it is this very fact of centralization and standardization that creates need for and offers opportunity to many cooperatives.

Now while markets are changing, the anatomy of farming is changing too. What effect is the changing mix of population - production shifts to new areas and increased suburban development - going to have on cooperative operations? When we talk about the family farm continuing to be the backbone of agriculture, we are not talking about any comfortable maintenance of status quo.

The fact that after 40 years of cooperative growth and activity so many farmers are seeking the solutions to their problems in other channels suggests that the time is ripe, if not indeed over-ripe, for the cooperatives as a whole to do some rather intensive soul-searching and ask themselves whether they are fully ready to meet the challenge of the days ahead.



If it is a fact that farmers seeking solutions to today's and tomorrow's problems are looking elsewhere for those solutions than to the cooperatives already existing and functioning, then it is evidence, perhaps, that the cooperatives' public relations need attention.

How far can co-ops go, either under present legislation, or under legislation they should seek, to provide the effective kind of self-help agriculture needs to deal realistically with such fundamental problems as production control, promotion of exports, stimulation of domestic consumption?

Co-ops must recognize the basic changes in agriculture and plan well in advance to meet those changes. Perhaps they'll have to reexamine policies with respect to volume discounts; with respect to credit; with respect to membership eligibility; type of outlet; product lines handled; financing, geographical limits, relations with other cooperatives.

In this connection it might be salutary for each cooperative to look closely at itself and ask just what business it is in.

Co-ops that come up with answers that suggest abroad franchise for themselves will likely be those that find it good business to use research techniques to find new ways of serving their customers, and their members alike, and thus further strengthening the position of the cooperative.

In the face of continued concentration of buying power in evergrowing chain store and other volume buyers, how long can individual cooperatives afford the luxury of non-cooperative independence in situations that call for united action?

Physically, what is the forward look going to be in co-ops? Are they going to have the lean and hungry look of fighters trained to the quick; or will they grow fat and complacent? In cooperatives with management well insulated from the membership, how critically are distinctions being made between wants, needs, and necessities? In the morals of modern management today, where do the members rank? And where, in their own best interests, should they rank?

Perhaps what this all boils down to is this: What is a cooperative? Is it just another business, distinguished from other businesses in the same line only by a different form of corporate structure and drawing its capital from different sources? Or is it different?

If cooperatives are fundamentally different, does it necessarily follow that they must then be in opposition to other businesses - the processors and the distributors? Is their role to take on the protagonists' role for farmers that labor unions take on for the working man, and assume that role with a show of belligerence and hostility?



Or is it the role of the cooperative to cooperate? To facilitate? To expedite? To serve as a catalyst to progress?

Is it finally to help make sure that a great and growing America is fed and clothed by free and independent farmers, and that in a climate of intelligent self-discipline, and with a dedication to progress, and service, the whole agribusiness community functions as part of the free enterprise system?

And can cooperatives play that kind of role unless behind their public facade are loyal, well-served, well-informed farmers who believe that co-op membership is a proud privilege of free men?

## SESSION VII

Friday Morning, December 16, 1960

Chairman: Robert J. Byrne

### DYNAMIC MANAGEMENT DECISION GAMES:

#### Techniques of Simulation and Business Games

\*\*\*\*\* Robert L. Stockment

Simulation and business games are terms used to describe a relatively new technique of management training. While many training methods are available and useful, the purpose of simulation is to present management problems to the trainees or players under conditions as near the actual situation as possible. An illustration from the military would be maneuvers under simulated battle conditions.

By simulating actual conditions, it is intended that trainees come to appreciate the complexities of real management situations and problems, and the games can result in a high degree of player involvement. Also, games such as used with electronic computers make possible a dynamic situation, with players making a series of decisions for a number of periods that represent, say, one year in the life of a business.

In Agricultural Research Service we have been using a modified form of the simulation technique developed by Charles H. Kepner and Benjamin B. Tregoe. 1/ The purpose of our simulation is to train our employees in the principles of decision making.

A team of four people, each with a different management responsibility, work together by phone, memorandum and conference to solve the constantly changing problems of a hypothetical business. The simulation takes place in a hotel, where each player has a room to serve as his office. Special phones and other equipment are installed to simulate actual office and business conditions. A game is played for four hours under the eye of an observer.

Following the completion of the game, a critique period is held by the players and the observer to discuss the procedures and principles used in solving the problems.

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1/ Kepner-Tregoe Program of Skill Practice in Management Decision Making.

## Application to Farmer Cooperatives

\*\*\*\*\* Wendell McMillan

As operations of cooperatives become more complex, the need for better decision making by management becomes more urgent. Simulation and business games provide a practical, yet dynamic, technique for management training of directors, top operating personnel, and supervisory and some non-supervisory employees in many types of cooperatives.

To obtain dynamic computer-type games that meet specific management training needs, cooperatives can use such sources as the American Management Association and International Business Machines. Non-computer games and simulations of the Kepner-Tregoe type could be obtained from various businesses and organizations now using them, including the Agricultural Research Service and the Forest Service of the U. S. Department of Agriculture.

Another source would be to construct games that would then be tailor-made for specific training needs. For example, a recent book, "Dynamic Management Decision Games," which presents seven non-computer games, also explains how to modify these games and how other games can be constructed. This "do-it-yourself" approach should be especially useful for training in areas unique to cooperatives, as well as in being less complex and less expensive than computer games.

Cooperatives can be informed of the use of this training technique by FCS through personal staff contacts, management schools and clinics, and publications. Also, FCS can disseminate this information through the Extension Service, the American Institute of Cooperation, and the national and State councils of cooperatives.

As to management training within FCS, business games could be used in some non-supervisory jobs and in the training of professional staff in the area of advisory work and special case studies. It should also be noted that simulation has some applicability as a research technique, and FCS staff members may want to consider its use in such areas as decision making, testing organizational structures, and analysis of imperfectly competitive market structures.

## WHY AND WHAT OF COOPERATIVE STATISTICS

\*\*\*\*\* Anne L. Gessner

In performing research, service, and educational work for farmer cooperatives, we need to know how many cooperatives there are in our



universe and where they are located. It is also important that we have information on the commodities they are handling and the services they are performing for their patrons.

There are other useful criteria in assessing the importance of the cooperatives with which we work. One of these is the number of people involved in their operations -- their memberships. Since we are dealing with business organizations, another measure of their importance in our economy is their dollar volumes of business. Just as the figure on gross national product provides a measure of the economic health of the Nation each year, so do the statistics published each year on the business volumes of farmer cooperatives provide some measure of their economic progress.

Statistics on farmer cooperatives are widely used at local, State, and national levels. Cooperatives use them in disseminating information to their own members. Staff members of State colleges of agriculture use them in their courses on agricultural cooperation each year. At the national level, farm organizations and numerous agencies of the Federal Government make extensive use of our statistics on farmer cooperatives.

In addition to the annual survey of numbers, memberships, and dollar volumes of farmer cooperatives, the History and Statistics Branch is making statistical studies of the integrated business activities of farmer cooperatives in various commodity fields. We have completed two of these studies -- one covered dairy products and the other, petroleum products. We are now making a study of the manufacture and distribution of feed by farmer cooperatives and expect to publish a report early next year.

## SESSION VIII

Friday Afternoon, December 16, 1960  
Chairman: J. Kenneth Samuels

### INVESTING IN AND CONTRACTING WITH OTHER CORPORATIONS FOR BUSINESS ADVANTAGES

#### As Used by Supply Cooperatives

\*\*\*\*\* J. Warren Mather

A few regional farm supply cooperatives have made investments in other business firms to improve their source of supplies. These companies included those producing crude oil and potash, refining petroleum, and manufacturing twine.

Several regionals have also made special contractual arrangements with other firms for supplies. These involved making fiberboard sheets into containers, distributing nitrogen, operating a nitrogen plant, and exchanging petroleum fuels. Furthermore, a few supply associations contracted with private dealers to distribute their production supplies.

The experience of farm supply cooperatives in these investment and contractual arrangements generally have been satisfactory. Much, of course, depends upon their ability to select sound business firms. Usually the cooperatives have made such arrangements with firms that they have dealt with for a considerable time and are well acquainted with their personnel. Cooperatives generally have used these methods on a temporary or expedient basis. Most have been content to purchase products on the open market from other firms until such time as they could completely own manufacturing facilities.

Disadvantages or limitations of such investment and contractual plans appear to be:

1. Cooperatives do not have complete control of policies and operations. This may affect the type and cost of supplies obtained.
2. Satisfactory arrangements may be terminated with a change in ownership or control in the affiliated companies.
3. Some inflexibility as to sources of supply may occur when investments are made in other firms.

Principal advantages of these methods appear to be:

1. More dependable source of supplies and better services are made available to the cooperatives.
2. A minimum amount of capital is required, especially under contractual arrangements.
3. Cooperatives gain operating experience or know-how which may eventually lead into more integration of their businesses.

These benefits over the long run should promote growth and progress by the associations.

#### As Used by Marketing Cooperatives

\*\*\*\*\* Homer J. Preston

We know very little about contract and investment arrangements to acquire business advantage. There is little information about their general effectiveness, how many cooperatives use them, and the length of the contract. Usually they cover a unique marketing situation and it is difficult to draw principles or general conclusions. It is an important area and I want to point out the wide range where contracts have been used. I have listed seven major activities and an example of a contract for each.

1. Farm production services - Grove care by citrus cooperatives.
2. Farm-to-plant or procurement - Contract haulers of the dairy cooperatives.
3. Processing activities - Custom processing by contract used by bargaining cooperatives.
4. Sales service - Seasonal contracts by small cooperatives to obtain sales personnel from large organizations.
5. Retailing - Investments and contracts in food stores to obtain such stores as a market outlet.
6. Complete services - Vegetable cooperatives making exclusive contract arrangement with a non-cooperative to provide all services and to restrict those services to the cooperative membership.
7. Miscellaneous - A part-time or intermittent use of facilities to handle peak loads and special products or conversely to utilize some of the cooperatives' facilities during periods of non-use by the cooperative.

The variety of uses of contracts, I believe, include these:

1. Performing a fringe activity.
2. Offering a seasonal or temporary activity.
3. Providing experimental or pilot operations.



The unique nature of these contracts arrangements demands that each be judged on its own merits. I believe at least two major considerations must be judged in addition to the usual considerations. The first is, can loyalty be obtained when the service is provided by contract rather than by facilities? Secondly, does the contract arrangement provide the business advantage to the farmer or to the non-cooperative? This latter must be a continuing evaluation since the economic position of the non-cooperative can change.

In summary, contracts provide an important marketing tool to gain flexibility with limited capital. However, in transferring some of its operations to another organization, some degree of control has also been transferred.

## NEW HORIZONS FOR COOPERATIVES

\*\*\*\*\* Lorenzo B. Mann

Dynamic changes in producing, processing, marketing, and distributing farm products present difficult problems as well as challenging opportunities for farmers and their cooperatives in the years ahead.

### Cooperatives Need to Adjust to Changes

Many cooperatives can and must do much more than they are doing today to adjust to these changes if they are to help farmers meet these problems. The proportion of agricultural products marketed by cooperatives in the United States is still too small in many commodities to exert effective bargaining influence. Also, many cooperatives have continued to market agricultural products in raw form or in the first stages of marketing rather than to move across the board into processing, wholesaling, and retailing.

As contrasted with limited progress by marketing cooperatives, farm supply cooperatives have registered substantial gains both in volume of supplies as well as in integration of their operations.

### Why Have Cooperatives Not Become More Effective Bargaining Agencies?

The principal reasons for lack of progress are: (1) Indifference on part of farmers to cooperative benefits; (2) resistance to change on part of management; (3) lack of leadership or vision by management and directors; (4) a poor job of membership relations or communications between co-ops and their members; (5) loose or ineffectual contractual relationships between members and their cooperatives; (6) inferior management partly due to low salaries and lack of incentive programs; (7) ineffectiveness due to small size, outmoded facilities, or poor location; and (8) inadequate financing.

Kind of a Cooperative Program Needed to Strengthen Farmers' Bargaining Position:

1. Development of dynamic aggressive leadership similar to that which was responsible for success of early co-ops.
2. An enlightened membership attitude to enlist farmers' support in assuming more of the risks, surrendering so-called independence in decision making, and being willing to enter into binding contracts with their cooperatives.
3. Larger and better managed and financed cooperatives which are capable of controlling a sufficient quantity and quality of products to do an effective selling job.
4. Diversified and integrated operations in order to obtain a larger share of the consumer's dollar and strengthen bargaining power.
5. Multipurpose type cooperatives that can provide farmers with a variety of services and functions.
6. Closer cooperation and coordination between cooperatives.
7. A more effective job of promoting, advertising, and selling of goods and services.
8. More capital with a substantial portion supplied by farmers themselves.
9. Improved management essential to successful operation.
10. Expanded exports by cooperatives to obtain widespread market outlets for some farm products.
11. Coordinated trucking by cooperatives to achieve substantial savings in transportation costs.
12. An active research program that can apply research results quickly.

The cooperative way of doing business offers farmers a sensible and sound approach toward preserving a strong and productive agriculture in the United States, and FCS can be a most useful agency in helping farmers to help themselves.

SUMMARY STATEMENT

\*\*\*\*\* Joseph G. Knapp

We have had a great Workshop. In spite of blizzard conditions, Glenn Lake came to us from Michigan, Ed Slettom from Minnesota, Vernon Vine from Philadelphia, Jerry Voorhis from Chicago, and J. B. Jones from Baltimore. Carl Taylor was snowbound at his home in Virginia and had to come in by foot and bus. The performance was outstanding on the part of all of our speakers and participants, both from our "outside" friends, and from our staff.

I come to the end of the Workshop with a spirit of humility. Are we good enough to do the job called for in helping farmers meet their cooperative problems? I am pleased with our spirit and record but we must constantly improve.

I would like to recognize all who helped make this Workshop a success but this can't be done here. However, I do wish to commend John Scanlan and his Committee for the fine program and arrangements provided. This has been a team job in which all parts of our Service has shared -- our Information Division, our Administrative Management Division, and those who have manned our offices while we have conferred -- our secretaries.

Thank you all for your cooperation in making this Workshop live up to our traditions.



## Participants on the 1960 FCS Workshop Program

### Visiting Speakers

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|-----------------------|---|
| Allin, Bushrod W.     | - Chairman, Outlook and Situation Board,<br>Agricultural Marketing Service, U.S.D.A.,<br>Washington, D. C.                        |
| Collins, Edward C.    | - Marketing Specialist, Liaison Matching Fund<br>Program -- State Departments of Agriculture,<br>AMS, U.S.D.A., Washington, D. C. |
| Dean, John H.         | - Deputy General Sales Manager,<br>Commodity Stabilization Service, U.S.D.A.,<br>Washington, D. C.                                |
| Eckert, Phil S.       | - Deputy Assistant Administrator, Market Develop-<br>ment, Foreign Agricultural Service,<br>Washington, D. C.                     |
| Ferguson, Clarence M. | - Assistant Secretary of Agriculture, U.S.D.A.,<br>Washington, D. C.  |
| Goddard, Ronald N.    | - Director of Marketing,<br>Cooperative G.L.F. Exchange, Inc.<br>Ithaca, New York   |
| Hendrickson, Bruce J. | - Legislative Research Assistant,<br>National Federation of Grain Cooperatives,<br>Washington, D. C.                              |
| Hood, Kenneth         | - Assistant Secretary and Director, Commodity<br>Division, American Farm Bureau Federation,<br>Chicago, Illinois                  |
| Hulbert, Lyman S.     | - Attorney at Law*<br>Washington, D. C.   |
| Jennings, Jack T.     | - Associate Director, Washington Office,<br>Cooperative League of the U.S.A.,<br>Washington, D. C.                                |
| Jones, John B.        | - Vice President and Secretary<br>Baltimore Bank for Cooperatives,<br>Baltimore, Maryland   |

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\* Mr. Hulbert is engaged in the private practice of law in Washington, D.C., and as part of his private practice acts as legal consultant for the American Institute of Cooperation.

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|----------------------|--|
| Lake, Glenn          | - President, Michigan Milk Producers Association,<br>Detroit, Michigan   |
| McDonald, Angus      | - Legislative Coordinator,<br>National Farmers Union,<br>Washington, D. C.   |
| Mohn, Paul O.        | - Chief, Marketing Firm Management Branch,<br>Federal Extension Service, U.S.D.A.,<br>Washington, D. C.                              |
| Naden, Kenneth D.    | - Administrative Counsel,<br>National Council of Farmer Cooperatives,<br>Washington, D. C.   |
| Prigmore, William H. | - Assistant General Manager,<br>Eastern States Farmers' Exchange,<br>West Springfield, Massachusetts                                 |
| Sherman, Val C.      | - Director of Information,<br>National Milk Producers Federation,<br>Washington, D. C.   |
| Slettom, Edward E.   | - Executive Secretary,<br>Minnesota Association of Cooperatives,<br>St. Paul, Minnesota  |
| Stern, J. Kenneth    | - President, American Institute of Cooperation,<br>Washington, D. C.   |
| Stockment, Robert L. | - Chief, Employee Development and Safety Branch,<br>Personnel Division, Agricultural Research<br>Service, U.S.D.A., Washington, D.C. |
| Taylor, Carl C.      | - Rural Sociologist,<br>Arlington, Virginia  |
| Tootell, Robert B.   | - Governor, Farm Credit Administration,<br>Washington, D. C.   |
| Vine, Vernon         | - Director of Editorial Relations,<br>Farm Journal,<br>Philadelphia, Pennsylvania  |
| Voorhis, Jerry       | - Executive Director,<br>Cooperative League of the U.S.A.,<br>Chicago, Illinois  |

### FCS Staff Speakers

|                       |   |
|-----------------------|---|
| Abrahamsen, Martin A. | - Director, Purchasing Division             |
| Bailey, John M.       | - Farm Supplies Branch                      |
| Gardner, Kelsey B.    | - Director, Management Services Division    |
| Gessner, Anne L.      | - Chief, History and Statistics Branch      |
| Hulbert, Helim H.     | - Chief, Business Administration Branch     |
| Knapp, Joseph G.      | - Administrator, Farmer Cooperative Service |
| LeBeau, Oscar R.      | - Membership Relations Branch               |
| Mann, Lorenzo B.      | - Chief, Frozen Food Locker Branch          |
| Mather, J. Warren     | - Chief, Farm Supplies Branch               |
| McMillan, Wendell M.  | - Fruit and Vegetable Branch                |
| McVey, Daniel H.      | - Chief, Grain Branch                       |
| Preston, Homer J.     | - Chief, Fruit and Vegetable Branch         |
| Samuels, J. Kenneth   | - Director, Marketing Division              |
| Stanton, Beryle E.    | - Director, Information Division            |
| Weigandt, Harry N.    | - Membership Relations Branch               |
| Wilkins, Paul C.      | - Frozen Food Locker Branch                 |
| Yager, Francis P.     | - Grain Branch                              |





